

Livingston Parish Sewer District One

Annual Financial Statements

As of and for the Year Then Ended December 31, 2010
With Supplemental Information Schedules

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

9/7/11

Livingston Parish Sewer District One
Annual Financial Statements
As of and for the Year Ended December 31, 2010
With Supplemental Information Schedules

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Independent Auditor's Report

Members of the Board of Commissioners
Livingston Parish Council
To Livingston Parish Sewer District One
Denham Springs, Louisiana

We have audited the accompanying financial statements of the governmental activities and each major fund of the Livingston Parish Sewer District One, a component unit of the Livingston Parish Council, Louisiana as of and for the year ended December 31, 2010, as listed in the table of contents. These basic financial statements are the responsibility of Livingston Parish Sewer District One's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Livingston Parish Sewer District One, as of December 31, 2010, and the respective changes in the financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.


In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2011, based on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

BRUCE HARRELL & CO.
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Members of the Board of Commissioners
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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions of the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation the basic financial statements taken as a whole.



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

June 30, 2011

Management's Discussion and Analysis

Livingston Parish Sewer District One

Management's Discussion and Analysis

As of and for the Year Ended December 31, 2010

Introduction

The Livingston Parish Sewer District One (the District) is pleased to present its Annual Financial Statements developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (GASB 34), and related standards.

The District's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position, (d) identify any significant variations from the District's financial plan, and (e) identify individual fund issues or concerns.

Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the District's financial statements in this report.

Financial Highlights

At December 31, 2010, total assets were \$1,407,051, and exceeded liabilities in the amount of \$1,173,736 (i.e., net assets). Of the total net assets, \$343,127 was unrestricted and available to support short-term operations, with the balance invested in capital assets, net of related debt.

The long-term portion of bonds payable decreased to \$189,590 at December 31, 2010 compared to \$216,541 at the end of the prior fiscal period, because of payment of bond principal.

For the year ended December 31, 2010, user fee revenues (sewer sales) increased to \$386,621 as compared to \$292,558 for the fiscal year ending December 31, 2009. Total operating revenues increased to \$414,434 as compared to \$303,761 for the fiscal year ending December 31, 2009. User fees increased with a rate change effective January 2010, although the number of customers remained relatively constant. Operating expenses declined as the effect of Hurricane Gustav lessened with implementation of needed repairs and improvement of the sewerage system facilities.

There was a positive change in net assets from the prior year of \$111,124 although net assets continue to decrease. The change in net assets for the fiscal year ending December 31, 2010 was -\$69,642, as compared to -\$180,766 for the fiscal year ending December 31, 2009.

Livingston Parish Sewer District One

Management's Discussion and Analysis As of and for the Year Ended December 31, 2010

Overview of the Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A presents an overview of management's examination and analysis of Washington Parish Gas Utility District No. One's financial condition and performance.

The financial statements report information on the District using full accrual accounting methods similar to those used in the private business sector. Financial statements include the Balance Sheet, Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. The Balance Sheet provides information about the nature and amount of the District's resources and obligations at year-end, and provides a basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses, and Changes in Net Assets, accounts for the revenues and expenses for the fiscal year, and provides information on how net assets changed during the year. This statement measures the success of the District's operations in a format that can be used to determine if the District has recovered its costs through user fees and other charges.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and provides information on the source of cash receipts, what the cash was used for, and the total change in cash for the reporting period.

The notes to the financial statements provide required disclosures essential to an understanding of the financial statements. The notes present information about the District's accounting policies, significant account balances and activities, commitments, contingencies, and subsequent events, if any. Supplementary information includes a comparative budget schedule, key information schedules on operation of the District, and if applicable, schedules detailing audit findings and management response, as well as required reports for Single Audit disclosure.

Financial Analysis

The purpose of financial analysis is to help determine whether Livingston Parish Sewer District One is better off as a result of the current year's activities. In this analysis, data from two of the basic financial statements, the Balance Sheet, and the Statement of Revenues, Expenses, and Changes in Net Assets, are presented below in condensed format. These statements report the net assets, the difference between assets and liabilities, and the change in net assets, which provides information for indicating the financial condition of the District. Following these statements is a separate schedule summarizing and analyzing budget changes for the current fiscal year.

Livingston Parish Sewer District One

**Management's Discussion and Analysis
As of and for the Year Ended December 31, 2010**

**Condensed Balance Sheet
2010 and 2009**

	<u>2010</u>	<u>2009</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Assets:				
Current and Other Assets	\$ 524,425	\$ 583,983	\$ (59,558)	-10%
Capital Assets	<u>882,626</u>	<u>923,472</u>	<u>(40,846)</u>	-4%
Total Assets	<u>1,407,051</u>	<u>1,507,455</u>	<u>(100,404)</u>	-7%
Liabilities:				
Long-Term Debt Outstanding	189,590	216,541	(26,951)	-12%
Other Liabilities	<u>43,725</u>	<u>47,536</u>	<u>(3,811)</u>	-8%
Total Liabilities	<u>233,315</u>	<u>264,077</u>	<u>(30,762)</u>	-12%
Net Assets:				
Invested in Capital Assets, Net of Related Debt	656,708	670,533	(13,825)	-2%
Restricted for Capital Activity and Debt Service	173,901	190,013	(16,112)	-8%
Unrestricted	<u>343,127</u>	<u>382,832</u>	<u>(39,705)</u>	-10%
Total Net Assets	<u>\$ 1,173,736</u>	<u>\$ 1,243,378</u>	<u>\$ (69,642)</u>	-6%

"Current and Other Assets" decreased by \$59,558 from the prior fiscal year as the District assumed responsibility for payment of the obligation for bond payment as described in *Footnote 13 – Other Commitments and Contingencies*.

"Capital Assets" decreased by \$40,846, reflecting primarily the effect of depreciation on capital assets.

"Total Net Assets" (total assets less total liabilities) decreased by \$69,642 for the fiscal year ending December 31, 2010, because of changes in revenues and expenses described below.

Livingston Parish Sewer District One

**Management's Discussion and Analysis
As of and for the Year Ended December 31, 2010**

**Condensed Statement of Revenues, Expenses and Changes in Net Assets
2010 and 2009**

	Year ended December 31, 2010	Year ended December 31, 2009	Dollar Change	Percentage Change
Revenues:				
Operating Revenues	\$ 414,434	\$ 303,761	\$ 110,673	36%
Nonoperating Revenues	2,605	5,513	(2,908)	-53%
Total Revenues	<u>417,039</u>	<u>309,274</u>	<u>107,765</u>	35%
Expenses:				
Depreciation Expense	57,842	57,744	98	0%
Other Operating Expense	370,991	415,403	(44,412)	-11%
Nonoperating Expense	57,848	16,893	40,955	242%
Total Expenses	<u>486,681</u>	<u>490,040</u>	<u>(3,359)</u>	-1%
Changes in Net Assets	<u>(69,642)</u>	<u>(180,766)</u>	<u>111,124</u>	61%
Beginning Net Assets	<u>1,243,378</u>	<u>1,424,144</u>	<u>(180,766)</u>	-13%
Ending Net Assets	<u>\$ 1,173,736</u>	<u>\$ 1,243,378</u>	<u>\$ (69,642)</u>	-6%

While the Balance Sheet shows the change in financial position of net assets, the Statement of Revenues, Expenses, and Changes in Net Assets provides answers to the nature and scope of these changes. The above table gives an indication of how Livingston Parish Sewer District One is being conservatively managed.

Total "Operating Revenues" (including sewer fees and charges related to providing sewer services to customers) increased by \$110,673 primarily because of a \$94,063 increase in revenue after a January 2010 rate increase. Nonoperating Revenues, consisting primarily of interest income, decreased by \$2,908.

Total operating expenses, other than depreciation, decreased by \$44,412 from the prior fiscal year reflecting a general decrease in expenses as the District recovers from the effects of Hurricane Gustav. "Depreciation Expense" remained relatively constant, and "Nonoperating Expenses" increased by \$40,955 as the District assumed liability for payment of part of the annual payments, in the amount of \$46,470 for the fiscal year ending December 31, 2010, for the Livingston Parish Council Bonds financing Sewer District No. 1 and Sewer District No. 2 improvements – see *Footnote 13 – Other Commitments and Contingencies*.

There was a positive change in net assets from the prior year of \$111,124 although net assets continue to decrease. The change in net assets for the fiscal year ending December 31, 2010 was -\$69,642, as compared to -\$180,766 for the fiscal year ending December 31, 2009.

Livingston Parish Sewer District One

Management's Discussion and Analysis As of and for the Year Ended December 31, 2010

Budgetary Highlights

Livingston Parish Sewer District One adopts an annual operating budget in accordance with requirements of the United States Department of Agriculture, Rural Utilities Service and for management purposes. This budget provides an estimate for the current fiscal year of the proposed expenditures and the revenues that will finance the operations of the District. The operating budget is adopted before the end of the prior fiscal year, and is amended by the Board of Commissioners after review of monthly budget-to-actual financial reports. A summary of the approved budget is presented below in a condensed format summarizing major revenue and expenditure categories, and is followed by analysis of significant variations between budget and actual amounts. Although not presented as a part of the basic financial statements, a more detailed schedule is also presented in "Schedule I - Budgetary Comparison Schedule", as supplementary information, following the footnotes to the financial statements.

Budget vs. Actual - Fiscal Year ended December 31, 2010

	Budget Year ended December 31, 2010	Actual Year ended December 31, 2010	Favorable (Unfavorable) Variance
Revenues:			
Operating Revenues	\$ 411,000	\$ 414,434	\$ 3,434
Nonoperating Revenues	3,000	2,605	(395)
Total Revenues	<u>414,000</u>	<u>417,039</u>	<u>3,039</u>
Expenses:			
Depreciation Expense	55,000	57,842	(2,842)
Other Operating Expense	396,600	370,991	25,609
Nonoperating Expense	63,000	57,848	5,152
Total Expenses	<u>514,600</u>	<u>486,681</u>	<u>27,919</u>
Income (Loss)	\$ <u>(100,600)</u>	\$ <u>(69,642)</u>	\$ <u>30,958</u>

There was no significant variation between budgeted and actual revenues or budgeted and actual expenses. Nonoperating expenses were lower since the required obligation payment on the Livingston Parish Council bonds was less than budgeted.

Livingston Parish Sewer District One

Management's Discussion and Analysis As of and for the Year Ended December 31, 2010

Other Significant Trends and Account Changes

Included within this section is first a listing and analysis of general trends and operating data affecting the operation of the District. This is followed by an analysis of any significant account changes, not included within other sections of the Management's Discussion and Analysis.

General Operating Data

	December 31, 2010	December 31, 2009	Increase (Decrease)
Customers	982	987	(5)
Total Customers	982	987	(5)

Capital Assets and Debt Administration

Capital Assets

At the end of the fiscal year ending December 31, 2010, Livingston Parish Sewer District One had \$882,626 (net of accumulated depreciation) recorded in capital assets. This includes sewer line systems and improvements, buildings, land, and machinery and equipment used to operate the sewerage system. The changes in capital assets are presented in the table below.

	December 31, 2010	December 31, 2009	Increase (Decrease)	Percentage Change
Capital Assets				
Land	\$ 55,432	\$ 55,432	\$ -	0%
Utility System	1,479,225	1,469,583	9,642	1%
Buildings	168,225	168,225	-	0%
Machinery & Equipment	145,214	137,860	7,354	5%
Subtotal	1,848,096	1,831,100	16,996	1%
Less: Accumulated Depreciation	(965,470)	(907,628)	(57,842)	-6%
Net Capital Assets	\$ 882,626	\$ 923,472	\$ (40,846)	-4%

During the fiscal year ending December 31, 2010, capital assets increased by \$16,996 for plant improvements, aerators, and generator installation. All assets are depreciated under the straight-line method. Depreciation expense for the fiscal year ending December 31, 2010, totaled \$57,842.

Livingston Parish Sewer District One

Management's Discussion and Analysis As of and for the Year Ended December 31, 2010

Long-Term Debt

The primary source of long-term financing for Livingston Parish Sewer District One is revenue bonds financed by the United States Department of Agriculture and revenue refunding bonds financed at a local banking institution. Interest rates for long-term debt financed through USDA are at annual rate of 5.0%; financing for the revenue refunding bonds is at 6.0%.

Bonds financed for Livingston Parish Sewer District One do not generally require a specific debt to net income or net cash flow ratio, but bond restrictions do state that the District must set its sewer rates at a level necessary to fund debt service requirements and to pay for the normal operating expenses of the District. One measure of the operating performance of the District is the Debt to Net Assets ratio. This measure, viewed over time, yields a comparison of how the District has maintained a workable ratio of total debt to net resources of the District. An increase over an extended period of time would indicate that the District is increasing debt in relation to its operating performance, and management should analyze other factors, such as overall profitability, to ensure that total debt is increased only in relation to the income that will be earned by financed expansions. As indicated, the ratio is only a measure of performance and should be reviewed over an extended period of time in combination with other factors that indicate the profitability of the District.

	December 31, 2010	December 31, 2009
Total Long-Term Debt	\$ 216,390	\$ 242,110
Total Net Assets	1,173,736	1,243,378
Total Long-Term Debt to Net Assets Ratio	18.44%	19.47%

Future Economic Plans

The Livingston Parish Sewer District One's management approach is conservative. The Board actively monitors revenues and expenses and evaluates the costs of proposed expansion projects. A rate increase was enacted January, 2010 in response to increased costs and the effect of Hurricane Gustav. The overall approach is to offer services at the lowest cost possible but to actively pursue projects that result in better service for customers.

Financial Statements

**Livingston Parish Sewer District One
Comparative Statement of Net Assets
As of December 31, 2010 and 2009**

Statement A

	<u>2010</u>	<u>2009</u>
Assets		
Current Assets:		
Cash and Cash Equivalents - Unrestricted	\$ 263,882	\$ 112,095
Investments - Unrestricted	35,504	268,171
Receivables, Net :		
Accounts	46,748	33,354
Prepaid Insurance	4,230	4,382
Total Current Assets	<u>350,364</u>	<u>418,002</u>
Restricted Assets:		
Restricted Cash and Cash Equivalents	173,901	69,234
Restricted Investments	-	96,587
Total Restricted Assets	<u>173,901</u>	<u>165,821</u>
Property, Plant, and Equipment		
Land	55,432	55,432
Property, Plant and Equipment, Net	827,194	868,040
Total Property, Plant, and Equipment	<u>882,626</u>	<u>923,472</u>
Other Assets		
Meter Deposits	160	160
Total Other Assets	<u>160</u>	<u>160</u>
Total Assets	<u>1,407,051</u>	<u>1,507,455</u>
Liabilities		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	3,683	11,116
Due To Other Governments	3,714	22
Total Current Liabilities (Payable From Current Assets)	<u>7,397</u>	<u>11,138</u>
Current Liabilities (Payable From Restricted Assets):		
Accrued Interest Payable	9,528	10,829
Revenue Bonds Payable	26,800	25,569
Total Current Liabilities (Payable From Restricted Assets)	<u>36,328</u>	<u>36,398</u>
Long Term Liabilities:		
Bonds Payable	189,590	216,541
Total Long Term Liabilities	<u>189,590</u>	<u>216,541</u>
Total Liabilities	<u>233,315</u>	<u>264,077</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	656,708	670,533
Restricted for:		
Capital Projects and Debt Service	173,901	190,013
Unrestricted	343,127	382,832
Total Net Assets	<u>\$ 1,173,736</u>	<u>\$ 1,243,378</u>

The accompanying notes are an integral part of these financial statements.

Statement B

**Livingston Parish Sewer District One
Comparative Statement of Revenues, Expenses, and Changes in Net Assets**

For the years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating Revenues		
Sewer Fees	\$ 386,621	\$ 292,558
Permits & Inspection Fees	4,493	1,954
User Fees	903	1,204
Impact Fees	21,915	8,045
Miscellaneous Income	502	-
Total Operating Revenues	<u>414,434</u>	<u>303,761</u>
Operating Expenses		
Payroll Taxes & Group Insurance	306	182
Bad Debts	408	872
Per Diem	4,000	2,380
Billing Costs	7,400	15,017
Depreciation	57,842	57,744
Insurance	28,005	31,636
Other	4,554	4,113
Professional Fees	18,771	23,796
Repairs and Maintenance	271,724	289,219
Supplies	4,794	10,028
Utilities	31,029	38,160
Total Operating Expenses	<u>428,833</u>	<u>473,147</u>
Operating Income (Loss)	<u>(14,399)</u>	<u>(169,386)</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

Statement B

Livingston Parish Sewer District One
Comparative Schedule of Revenues, Expenses and Changes in Net Assets
Proprietary Fund Type
For the years ended December 31, 2010 and 2009

	Enterprise Funds	
	2010	2009
Nonoperating Revenues (Expenses)		
Interest Income	2,605	5,513
Interest Expense	(11,378)	(12,847)
Storm Expense	-	(4,046)
Transfer for Livingston Parish Council Debt Obligation	(46,470)	-
Total Nonoperating Revenues (Expenses)	(55,243)	(11,380)
Change in Net Assets	(69,642)	(180,766)
Total Net Assets, Beginning	1,243,378	1,424,144
Total Net Assets, Ending	\$ 1,173,736	\$ 1,243,378

The accompanying notes are an integral part of these financial statements.

Statement C

Livingston Parish Sewer District One
Comparative Statement of Cash Flows
Proprietary Fund Type
For the year ended December 31, 2010

	<u>2010</u>	<u>2009</u>
Cash Flows From Operating Activities		
Received From Customers	\$ 378,623	\$ 293,772
Other Receipts	22,417	-
Payments for Operations	(374,274)	(502,797)
Payments to Employees	(306)	(2,562)
Net Cash Provided (Used) by Operating Activities	<u>26,460</u>	<u>(211,587)</u>
Cash Flows From Capital and Related Financing Activities		
Proceeds from sale of Capital Acquisitions	-	(33,085)
(Payments for) Storm Expenses	-	(4,046)
(Payments for) Debt Obligation to Parish Council	(46,470)	-
(Payments for) Capital Acquisitions	(16,996)	-
Principal Proceeds from (Repayments for) Long Term Debt	(25,720)	(24,455)
Interest Payments for Long Term Debt	(12,679)	(13,942)
Net Cash (Used) by Capital and Related Financing Activities	<u>(101,865)</u>	<u>(75,528)</u>
Cash Flows From Investing Activities		
Receipt of Interest	2,605	5,513
Proceeds from sale (Payments) for Investments	329,254	263,860
Net Cash Provided by Investing Activities	<u>331,859</u>	<u>269,373</u>
Net Cash Increase (Decrease) in Cash and Cash Equivalents	256,454	(17,742)
Cash and Cash Equivalents, Beginning of Year	181,329	199,071
Cash and Cash Equivalents, End of Year	<u>\$ 437,783</u>	<u>\$ 181,329</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:		
Cash and Cash Equivalents, Unrestricted	\$ 263,882	\$ 112,095
Cash and Cash Equivalents, Restricted	173,901	69,234
Total Cash and Cash Equivalents	<u>\$ 437,783</u>	<u>\$ 181,329</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

Livingston Parish Sewer District One
Comparative Statement of Cash Flows
For the year ended December 31, 2010

	<u>2010</u>	<u>2009</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)		
by Operating Activities		
Operating Income (Loss)	\$ (14,399)	\$ (169,386)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided		
by Operating Activities:		
Depreciation	57,842	57,744
(Increase) decrease in Accounts Receivable	(13,394)	(9,992)
(Increase) decrease in Prepaid Insurance	152	16,594
Increase (decrease) in Accounts Payable for Operating Activities	(7,433)	(106,547)
Increase (decrease) in Accrued Expenses	3,692	-
Net Cash Provided (Used) by Operating Activities	\$ <u>26,460</u>	\$ <u>(211,587)</u>

(Concluded)

The accompanying notes are an integral part of these financial statements.

Basic Financial Statements

Notes to the Financial Statements

Livingston Parish Sewer District One
Notes to the Financial Statements
As of and for the Year Ended December 31, 2010

Introduction

Livingston Parish Sewer District One (the District) was created by the Livingston Parish Police Jury (now the Livingston Parish Council) on October 26, 1974, pursuant to the provisions of R.S. 33:3811, et, seq., of the Louisiana Revised Statutes of 1950.

The District is located in Denham Springs, Louisiana. The purpose of the District is to provide sanitation services to customers within the boundaries of the District. The board is composed of three board members appointed by the Livingston Parish Council. Board members are compensated for meeting attendance at the rate of \$60.00 per meeting.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Livingston Parish Sewer District One is considered a component unit of the Livingston Parish Council. As a component unit, the accompanying financial statements should be included within the reporting of the primary government, either blended into those financial statements or separately reported as discrete component units.

1. Summary of Significant Accounting Policies

A. Measurement Focus and Basis of Accounting and Financial Statement Presentation

The District's financial statements are prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The District applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principle Board (APB) of the Committee On Accounting Procedure, issued on or before November 30, 1989, unless those pronouncements conflict or contradict with GASB pronouncements.

These financial statements are presented in conformance with GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*. Statement No. 34 established standards for financial reporting, with presentation requirements including a statement of net assets (or balance sheet), a statement of activities and changes in net assets, and a statement of cash flows. The District has also adopted the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, that require capital contributions to the District be presented as a change in net assets.

All activities of the District are accounted for in a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the governing authority is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

Livingston Parish Sewer District One
Notes to the Financial Statements
As of and for the Year Ended December 31, 2010

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

The term measurement focus denotes what is being measured and reported in the District's operating statement. Financial operations of the District are accounted for on the flow of economic resources measurement focus. With this measurement focus, all of the assets and liabilities, available to the District for the purpose of providing goods and services to the public, are included on the balance sheet. The activity statement includes all costs of providing goods and services during the period.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are user charges for the services provided by the enterprise funds. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

B. Cash and Cash Equivalents and Investments

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under State law, the District may deposit funds in demand deposits, money market accounts, or time deposits with state banks organized under Louisiana Law or any other State of the United States, or under the laws of the United States.

C. Investments

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the District's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The following disclosures are required by GASB Statement No. 31:

- The District uses the quoted market prices to estimate the fair value of the investments.
- None of the investments are reported at amortized cost
- There is no involuntary participation in an external investment pool.

D. Inventories

Purchases of various operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year. As of December 31, 2010, the District had no significant inventory.

Livingston Parish Sewer District One
Notes to the Financial Statements
As of and for the Year Ended December 31, 2010

E. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items. Prepaid items consist of prepaid insurance premiums.

F. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because their use is limited by applicable bond covenants.

G. Capital Assets

Capital assets of the District are defined by the District as assets with an initial, individual cost of more than \$500, and an estimated useful life in excess of one year. Capital assets are recorded at either historical cost or estimated historical cost. Donated assets, including systems donated for continued maintenance by the District, are valued at their estimated fair market value on the date donated. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Infrastructure Assets	40 Years
Land Improvements	40 Years
Buildings and Building Improvements	40 Years
Furniture and Fixtures	5 - 10 Years
Vehicles	5 Years
Equipment	3 - 10 Years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Livingston Parish Sewer District One
Notes to the Financial Statements
As of and for the Year Ended December 31, 2010

H. Compensated Absences

Employees of the District can earn leave based on the number of hours worked each pay period. At this time the District has no provision for leave carryover; therefore a leave accrual was not recorded in the financial statements.

In accordance with GASB-16, *Accounting for Compensated Absences*, no liability has been accrued for unused employee sick leave.

I. Long-Term Obligations

Long-term liabilities are recognized within the Enterprise Fund. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt using the effective interest method.

J. Net Assets

GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*, requires classification of net assets, the difference between the District's assets and liabilities, into three components, as described below:

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, or indebtedness attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net asset calculation as unspent proceeds.
- Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

K. Comparative Data/Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

L. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the municipality, which are either unusual in nature or infrequent in occurrence.

Livingston Parish Sewer District One
Notes to the Financial Statements
As of and for the Year Ended December 31, 2010

M. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

At December 31, 2010, the District has cash and cash equivalents (book balances) totaling \$437,783, as follows:

	December 31, 2010
Demand Deposits	\$ 360,742
Trust Funds	77,041
	<u>\$ 437,783</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2010, the District has \$460,312 in cash and cash equivalent deposits (collected bank balances), consisting of \$383,271 in demand deposits, and \$77,041 in Trust Funds. The demand deposits of \$382,271 are secured from risk by \$250,000 of federal deposit insurance and \$132,271 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). The \$77,041 of Trust Funds consist of cash and cash equivalents in a separate bank and are fully collateralized by federal deposit insurance of \$250,000.

In addition, the District at December 31, 2010 also has \$35,504 in certificates of deposit categorized as an investment, and is fully collateralized by federal deposit insurance.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statutes 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

Livingston Parish Sewer District One
Notes to the Financial Statements
As of and for the Year Ended December 31, 2010

Deposits and investments secured at December 31, 2010 are categorized as follows:

Category 1: Insured by FDIC or collateralized with securities held by the District or by its agent in its name.

Category 2: Uninsured but collateralized with securities held by the pledging financial institution, or by its trust department or agent in the District's name.

Category 3: Uninsured and uncollateralized, or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name; or collateralized with no written or approved collateral agreement.

Type of Deposits	Total Bank Balance	Custodial Credit Risk Category			Not Required to be Collateralized	Total Carrying Value
		1	2	3		
Cash and Cash Equivalents	\$ 360,742	\$ 360,742	\$ -	\$ -	\$ -	\$ 360,742
Certificates of Deposit (With original maturities over 3 months)	35,504	35,504	-	-	-	35,504
Restricted Assets - Trust Accounts	77,041	77,041	-	-	-	77,041
	<u>\$ 473,287</u>	<u>\$ 473,287</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 473,287</u>

3. Investments

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the District or its agent in the District's name
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the District's name

All investments held by the District fall into category 1 credit risk, defined as "insured or registered, or securities held by the District or its agent in the District's name." In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investments are carried at fair market value, with the estimated fair market value based on quoted market prices.

All investments are stated on the balance sheet (carrying value) at market value. All investments are in the name of the District and are held at the District's office. Because these investments are in the name of

Livingston Parish Sewer District One

Notes to the Financial Statements

As of and for the Year Ended December 31, 2010

the District and are held by the District or the District's agent, the investments are considered insured and registered, Category (1), in applying the credit risk of GASB Codification Section 150.164.

Interest Rate Risk: The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value arising from increasing interest rates.

4. Receivables

At December 31, 2010, the District recorded \$46,748 in customer accounts receivable. Billing services for the District are contracted with Ward 2 Water District of Livingston Parish and the City of Denham Springs. Accounts receivable at fiscal year-end includes the amounts collected but not yet remitted to the District. Customer accounts are written off as deemed uncollectible and any allowance for uncollectible accounts is deemed immaterial at fiscal year end.

5. Restricted Assets

The following is a summary of restricted assets at December 31, 2010:

	December 31, 2010
Restricted Cash and Cash Equivalents	
Impact Fee Fund	\$ 12,757
Bond Reserve Account	40,306
Bond Contingency Account	85,733
Bond Sinking Account	35,105
Total Restricted Assets	<u>\$ 173,901</u>

6. Capital Assets

A summary of changes in capital assets during the fiscal year ending December 31, 2010 is as follows:

	Beginning Balance 12/31/09	Additions and Reclassifications	Deletions and Reclassifications	Ending Balance 12/31/10
Capital Assets Being Depreciated				
Utility System	\$ 1,469,583	\$ -	\$ -	\$ 1,479,225
Buildings	168,225	-	-	168,225
Machinery & Equipment	137,860	16,996	-	145,214
Total Capital Assets Being Depreciated	1,775,668	16,996	-	1,792,664
Less Accumulated Depreciation	(907,628)	(57,842)	-	(965,470)
Capital Assets Being Depreciated, Net	868,040	(40,846)	-	827,194
Land	55,432	-	-	55,432
Construction in Progress	-	-	-	-
Total Capital Assets, Net	<u>\$ 923,472</u>	<u>\$ (40,846)</u>	<u>\$ -</u>	<u>\$ 882,626</u>

Livingston Parish Sewer District One

Notes to the Financial Statements

As of and for the Year Ended December 31, 2010

During the fiscal year ending December 31, 2010, capital assets increased by \$16,996 for plant improvements, aerators, and generator installation. All assets are depreciated under the straight-line method. Depreciation expense for the fiscal year ending December 31, 2010, totaled \$57,842.

7. Long-Term Obligations

The following is a summary of long-term obligation transactions for the year ended December 31, 2010:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-Term Debt					
USDA 1984 Revenue Bonds, Loan 92-01	\$ 188,110	\$ -	\$ (8,720)	\$ 179,390	\$ 8,800
Sewer Revenue Refund. Bonds, Series 1997-A	54,000	-	(17,000)	37,000	18,000
Total Long-Term Debt	<u>\$ 242,110</u>	<u>\$ -</u>	<u>\$ (25,720)</u>	<u>\$ 216,390</u>	<u>\$ 26,800</u>

Bonds Payable as of December 31, 2010 is as follows:

	<u>December 31, 2010</u>
Revenue Bond \$ 307,000	
Sewer Revenue Bonds, Loan 92-01 sold to Rural Utility Service	
Dated 2/28/1984 due in annual installments of principal and interest of \$18,203 through 2/28/2024 - interest at 5.0%.	\$ 179,390
Revenue Bond \$ 198,000	
Sewer Revenue Refunding Bonds, Series 1997-A	
Dated 5/13/1997 due in annual installments of principal and interest varying from \$18,405 to \$20,780 through 2/28/2012 - interest at 6.0%.	37,000
	<u>\$ 216,390</u>

Livingston Parish Sewer District One
Notes to the Financial Statements
As of and for the Year Ended December 31, 2010

The annual requirements to amortize all debt outstanding as of December 31, 2010, including interest payments of \$78,812 are as follows:

Year Ending	USDA 1984	Series 1997-A	
12/31/10	Revenue	Rev Refunding	
	Bonds	Bonds	Total
	\$ 307,000	\$ 198,000	
2011	\$ 18,203	\$ 20,220	\$ 38,423
2012	18,203	20,140	38,343
2013	18,203	-	18,203
2014	18,203	-	18,203
2015	18,203	-	18,203
2016 to 2020	91,015	-	91,015
2021 to 2025	72,812	-	72,812
	<u>\$ 254,842</u>	<u>\$ 40,360</u>	<u>\$ 295,202</u>

8. Flow of Funds, Restrictions on Use

On February 28, 1984, the District issued \$307,000 of United States Farmer's Home Administration (Now referred to as USDA) Sewer Revenue Bonds. The bonds were issued at an annual interest rate of 5.0%, and are due in annual installments of \$18,203 through February 28, 2024.

On May 13, 1997, the District issued \$198,000 of Sewer Revenue Refunding Bonds, Series 1997-A, at an interest rate of 6.0%, with the bonds maturing on February 28, 2012. These bonds were issued in parity with the 1984 USDA Bonds and the bond restrictions described below apply to both outstanding revenue bonds.

Sewerage System Bond and Interest Sinking Fund (the Sinking Fund): Each month the District shall transfer from the Sewer Revenue Fund to the regularly designated fiscal agent bank of the Issuer (which must be a member of the Federal Deposit Insurance Corporation), monthly in advance on or before the 20th day of each month of each year a sum equal to 1/12 of the principal and interest falling due on the next principal and interest payment date, together with such additional proportionate sum as may be required to pay said principals and interest as the same respectively become due. Money in the Sinking Fund shall be deposited as trust funds and shall be used solely and is hereby expressly and exclusively pledged for the purpose of paying principal and interest on the bond and parity bonds. Said fiscal agent shall make available from the revenue bond sinking fund to the paying agent such funds as are available from the Sinking Fund, at least ten days in advance of the date on which each payment of principal or interest falls due, funds fully sufficient to pay promptly the principal and interest so falling due on such date. At fiscal year end, all required bond and interest installments for the District had been made as required, and the Sinking Fund was fully funded.

Livingston Parish Sewer District One
Notes to the Financial Statements
As of and for the Year Ended December 31, 2010

Sewerage System Revenue Bond Reserve Fund (the Reserve Fund): Each month the District must transfer into the Reserve fund, monthly in advance on or before the 20th day of each month of each year, a sum as equal to five percent of the sum required by applicable bond covenants, such payments to continue until an amount has been accumulated in the Reserve Fund an amount of money equal to the highest combined principal and interest requirements for any succeeding twelve (12) month period on such bonds payable from the Reserve Fund. The amount that must be deposited each month to the Reserve Fund is equal to 5% of the required monthly interest and principal installments for outstanding parity bonds.

The money in the Reserve Fund is to be retained solely for the purpose of paying the principals of and interest on bonds payable from the Sinking Fund as to which there would otherwise be default. In the event that additional pari passu bonds are issued hereafter in the manner provided by this resolution, there shall be transferred from the Sewerage System Revenue Fund into the Revenue Bond Sinking Fund, monthly or annually, such amounts (as may be designated in the resolution authorizing the issuance of such pari passu bonds) as will increase the total amount on deposit in the Reserve Fund within a period not exceeding five (5) years from the date of delivery of the parity bonds to a sum equal to the highest combined principal and interest requirements in any succeeding fiscal year on all outstanding bonds issued pursuant to the terms of this resolution, including such pari passu bonds. At fiscal year end, all required Reserve Fund monthly deposits for the District had been made as required, and the Reserve Fund was fully funded.

Sewerage System Depreciation and Contingency Fund (the Depreciation and Contingency Fund): Each month the District shall transfer from the Sewerage System Revenue Fund an amount monthly in advance on or before the 20th day of each month of each year beginning with the first month following completion of the improvements and extensions to the System financed with the proceeds of the Bonds, the sum equal to five percent of the amount, but not less than \$168 per month for each parity bond, to be paid monthly into the Sinking Fund. All monies in the Depreciation and Contingency Fund may be drawn on and used by the District for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, replacements and extensions, and the costs of improvements to the Sewerage System which will either enhance its revenue-producing capacity or provide a higher degree of service. In the event the available balances in the Revenue Bond Sinking Fund and Sewerage System Revenue Bond Reserve Fund are insufficient, monies on deposit in the Depreciation and Contingency Fund shall be transferred in such amounts as are necessary to eliminate the deficiencies, respectively, in the Revenue Bond Sinking Fund and Reserve Fund. At fiscal year end, all required Depreciation and Contingency Fund monthly deposits for the District had been made as required, and the Depreciation and Contingency Fund was fully funded.

Rate Covenant - Debt Service Coverage and Rates: With the issuance of the Series 1997A Sewer Revenue Refunding Bonds, the District (the Issuer) through the Governing Authority covenants to fix, establish, maintain, and collect, so long as any principal and interest is unpaid on the Bonds, such rates, fees, rents, or other charges for the services and facilities of the System, and all parts thereof, and to revise the same from time to time whenever necessary, as will always provide revenues in each fiscal year sufficient to (i) pay the reasonable and necessary expenses of operating and maintaining the System in each fiscal year; the principal and interest maturing on the Bond, the Unrefunded Bond, and any Parity Bonds in each year, all reserves of sinking funds and other payments required for such year by the Bond Resolution; and all other obligations of indebtedness payable out of the revenues of the System for such year, (ii) Net Revenues in each

Livingston Parish Sewer District One
Notes to the Financial Statements
As of and for the Year Ended December 31, 2010

year, exclusive of other District moneys, after paying all reasonable and necessary expenses of operating and maintaining the System in an amount at least equal to (110%) of the principal and interest obligated to be paid in the current year on the Bond, the Unrefunded Bond, and Parity Bonds and any subordinate lien bonds or other debt obligations outstanding, and (iii) Net Revenues, inclusive of other district moneys, after paying all reasonable and necessary expenses of operating and maintaining the System in each year, shall be in an amount at least equal to pay 1.2 times principal and interest due on the 1997 bond, the Unrefunded Bond, and any Parity Bonds.

Although a rate increase was enacted for fiscal year 2010, the District was not in compliance with the required Debt Service Coverage ratios for the fiscal year ending December 31, 2010. Part of the reason for noncompliance related to the District assuming liability for payment of part of the Livingston Parish Council debt obligation as described in *Footnote 13 – Other Commitments and Contingencies*.

9. Restricted and Designated Net Assets

At December 31, 2010, Livingston Parish Sewer District One recorded \$173,901 in Restricted Net Assets (Restricted for Capital Activity and Debt Service), representing the District's funds restricted by revenue bond debt covenants, contracts with customers for meter deposits, and the unspent portion of capital debt related to amounts restricted for capital projects less liabilities related to these restricted funds. A liability relates to restricted assets if the asset results from incurring the liability or if the liability will be liquidated with the restricted assets.

10. Intergovernmental Agreement

Billing services for the District are contracted to the City to Denham Springs and Waterworks District No. 2 of Livingston Parish. In addition, the District maintains contracts for sewer maintenance, primarily with Livingston Parish Sewer District No 2, and paid a total of \$243,583 to outside parties for sewer maintenance for the fiscal year ending December 31, 2010.

11. Risk Management

The District is exposed to various risks of loss related to theft, damage, or destruction of assets, torts, injuries, natural disasters, and many unforeseeable events. The District purchases commercial insurance policies and bonds for any and all claims related to the aforementioned risks. The District's payment of the insurance policy deductible is the only liability associated with these policies and bonds.

12. Litigation

According to the District's legal counsel, there is no pending litigation against Livingston Parish Sewer District One.

Livingston Parish Sewer District One
Notes to the Financial Statements
As of and for the Year Ended December 31, 2010

13. Other Contingencies and Commitments

On December 22, 2009, the Livingston Parish Council (the Council) issued \$2,500,000 of 2009 Series Revenue Bonds on behalf of Livingston Parish Sewer District No. 2 relating to lift station repairs and refurbishments. The total interest on the 2009 Series Revenue Bonds through maturity in 2039 is calculated to be \$2,219,047 for a combined principal and interest amount of \$4,556,219. Additionally, the Council and the Livingston Parish Sewer District No. 2 entered into a Local Services Agreement obligating the Livingston Parish Sewer District No. 2 to make each of the required monthly principal and interest payments relating to the Bond through maturity. Subsequently, the District and Livingston Parish Sewer District No. 2 entered into a Local Services Agreement obligating the District to a pro-rata share payment of the monthly principal and interest obligations. The pro-rata share for Livingston Parish Sewer District One, as agreed by the two sewer districts, has been set at 30% of the monthly obligation. For the fiscal year ending December 31, 2010 the payment by Livingston Parish Sewer District One to Livingston Parish Sewer District No. 2, totaled \$46,470, equal to the required pro-rata share of 30%.

14. Subsequent Events

These financial statements considered subsequent events through June 30, 2011, the date the financial statements were available to be issued. No events were noted that require recording or disclosure in the financial statements for the fiscal year ending December 31, 2010.

Other Supplemental Information

Livingston Parish Sewer District One
Budgetary Comparison Schedule
For the year ended December 31, 2010
With comparative amounts for the fiscal year ended December 31, 2009

	2010 Budget	2010 Actual	Variance Favorable (Unfavorable)	2009 Actual
Operating Revenues				
Sewer Fees	\$ 384,100	\$ 386,621	\$ 2,521	\$ 292,558
Permits & Inspection Fees	3,000	4,493	1,493	1,954
User Fees	2,000	903	(1,097)	1,204
Impact Fees	21,900	21,915	15	8,045
Miscellaneous Income	-	502	502	-
Total Operating Revenues	<u>411,000</u>	<u>414,434</u>	<u>3,434</u>	<u>303,761</u>
Operating Expenses				
Payroll Taxes & Group Insurance	300	306	(6)	182
Bad Debts	500	408	92	872
Per Diem	3,900	4,000	(100)	2,380
Billing Costs	6,400	7,400	(1,000)	15,017
Depreciation	55,000	57,842	(2,842)	57,744
Insurance	41,000	28,005	12,995	31,636
Other	4,500	4,554	(54)	4,113
Professional Fees	19,000	18,771	229	23,796
Repairs and Maintenance	271,000	271,724	(724)	289,219
Supplies	15,000	4,794	10,206	10,028
Utilities	35,000	31,029	3,971	38,160
Total Operating Expenses	<u>451,600</u>	<u>428,833</u>	<u>22,767</u>	<u>473,147</u>
Operating Income (Loss)	<u>(40,600)</u>	<u>(14,399)</u>	<u>26,201</u>	<u>(169,386)</u>

(Continued)

See independent auditor's report.

Schedule 1

Livingston Parish Sewer District One
Budgetary Comparison Schedule
For the year ended December 31, 2010
With comparative amounts for the fiscal year ended December 31, 2009

	2010 Budget	2010 Actual	Variance Favorable (Unfavorable)	2009 Actual
Nonoperating Revenues (Expenses)				
Interest Income	3,000	2,605	(395)	5,513
Interest Expense	(13,000)	(11,378)	1,622	(12,847)
Storm Expense	-	-	-	(4,046)
Transfer for Livingston Parish Council Debt Oblig.	(50,000)	(46,470)	3,530	-
Total Nonoperating Revenues (Expenses)	(60,000)	(55,243)	4,757	(11,380)
Change in Net Assets	(100,600)	(69,642)	30,958	(180,766)
Total Net Assets, Beginning	1,243,378	1,243,378	-	1,424,144
Total Net Assets, Ending	\$ 1,142,778	\$ 1,173,736	\$ 30,958	\$ 1,243,378

(Concluded)

See independent auditor's report.

Schedule 2

Livingston Parish Sewer District One
Schedule of Insurance
For the year ended December 31, 2010

Insurance Company / Policy Number	Coverage	Amount	Period
American Alternative Insurance Corp (AAIC) Policy # GPPA-XS- 305124-00/00	Commercial Package: Commercial Property (Scheduled) Extra Expense Coverage Loss of Income General Liability: Each Occurrence Damage to Premises Rented Medical Expense Personal and Advertising Injury General Aggregate Products-Completed Oper Aggreg. Public Officials & Management Liab: Each "Wrongful Act" or Offense General Aggregate (Combined) Inland Marine Commercial Excess Liability: Each Occurrence Claims-Made Aggregate	\$ 7,250,702 250,000 250,000 1,000,000 1,000,000 10,000 1,000,000 3,000,000 3,000,000 1,000,000 3,000,000 As Scheduled 1,000,000 3,000,000	10/31/2010 to 10/31/2011
Western Surety Co. Bond # 0601 18279338	Employee Dishonesty (Position Schedule)	135,000	7/15/2010 to 7/15/2011
Louisiana Workers Comp Corporation Policy # 15296-B	Workers Compensation at Statutory Limitations: Employers Liability (each accident) Employees Liability (each accident)	100,000 100,000	3/24/2010 to 3/24/2011
AmTrust Insurance Co. of Kansas Policy # KPP1004645 01	Commercial Auto: Liability (Combined Single Limit-CSI.) Uninsured Motorists (CSI.) Physical Damage (As Scheduled)	500,000 500,000	3/16/2010 3/16/2011

Note: The Employee Dishonesty Bond described above is issued separately for Livingston Parish Sewer District Number One. Other policies are issued jointly for Livingston Parish Sewer District Number One and Livingston Parish Sewer District Number Two.

See independent auditor's report.

Schedule 3

**Livingston Parish Sewer District One
Schedule of Compensation Paid to Board of Commissioners**

<u>Name and Title / Contact Number</u>	<u>Address</u>	<u>Compensation Received</u>	<u>Term Expiration</u>
Chad Pope, Commissioner (225) 665-9918	30847 Dunn Rd. Denham Springs, LA 70726	\$ 1,300	Until Re-appointed
Michael Dougay, Commissioner (225) 791-8295	8464 Harold Drive Denham Springs, LA 70726	1,300	Until Re-appointed
Michael R. Swain, Commissioner (225) 665-1931	443 Brenda Drive Denham Springs, LA 70726	1,400	Until Re-appointed
		<u>\$ 4,000</u>	

See independent auditor's report.

Schedule 4

**Livingston Parish Sewer District One
Schedule of Sewer Customers and Sewer Rates
For the year ended December 31, 2010**

	<u>December 31, 2010</u>	<u>December 31, 2009</u>	<u>Increase (Decrease)</u>
Customers	<u>982</u>	<u>987</u>	<u>-5</u>
Total Customers	<u>982</u>	<u>987</u>	<u>-5</u>

Effective June 1, 2008, a \$300.98 Tap Fee (plus road bore) plus additional Impact Fee as indicated below:

<u>Sewer Fees</u>	<u>Impact Fee</u>	<u>Size Tap</u>
Residential Sewer Rates:	\$ 1,702	3/4" Tap
\$ 18.50 - First 3,000 Gallons	1,762	1" Tap
2.52 - Per Next 1,000 Gallons of Water Over 3,000 Gallons	5,253	1 & 1/2" Tap
18.50 - Residential With Own Well	21,915	2" Tap
	23,429	3" Tap
	56,818	4" Tap
Commercial Sewer Rates:	120,919	6" Tap
\$ 38.50 - Plus \$4.25 Per Thousand Gallons Flat Rate Plus Usage	346,301	8" Tap
38.50 - Flat Rate Only. Commercial W/own Well.		
38.50 - \$38.50 Per Unit Plus \$4.25 Per Thousand Gallons. Commercial With Multiple Connections Having a Single Water Meter		

See independent auditor's report.

Schedule of Audit Findings and Resolution

**Livingston Parish Sewer District One
Summary Schedule of Prior Year Audit Findings
December 31, 2010**

Compliance Findings (Reported in Accordance with Government Auditing Standards)

Reference Number: 2009-2 (Timely Issuance of Financial Statements)

Year Initial Finding Occurred: Fiscal Year Ending December 31, 2009

The prior year compliance finding noted the following:

Criteria:

Louisiana Revised Statutes 24:517 requires local governmental entities to submit annual financial audit reports within 6 months of the close of their fiscal year.

Condition:

Non-compliance was noted in submitting financial statements as required.

Findings:

Prior year financial statements were not issued within 6 months of the end of the fiscal year.

Response by Management:

Response by management for the prior year noted that future audits would be submitted to the Legislative Auditor in accordance with required deadlines.

Status of the finding for the fiscal year ending December 31, 2010 is as follows:

Description of Action Taken: Final

Description of Corrective Action Taken:

The financial audit for the fiscal year ending December 31, 2010, was submitted by the required deadline.

Schedule 5 (Continued)

Livingston Parish Sewer District One
Summary Schedule of Prior Year Audit Findings
December 31, 2010

Internal Control Findings (Reported in Accordance with Government Auditing Standards)

Reference Number: 2009-1 (Debt Covenant Failure)

Year Initial Finding Occurred: Fiscal Year Ending December 31, 2009

Type Finding: Significant deficiency constituting a material weakness.

The prior year internal control finding noted the following:

Criteria:

This finding noted that the bond covenants of the 1984 Series and the 1997A Series Bonds stipulate certain bond deposit requirements and that a positive ratio must be maintained for debt coverage (net assets to debt requirements). The finding also noted that transfers to the Sinking Fund, Reserve Fund, and Depreciation Contingency fund must be made by the 20th of each month.

Condition:

For the fiscal year ending December 31, 2009, this finding noted that transfers to the Sinking Fund, Reserve Fund, and Depreciation & Contingency fund were not made by the 20th of the month, and the debt coverage ratio (net assets to debt requirements), requiring a ratio of 120% for adjusted net assets to debt installments, was not met.

Findings:

Findings were noted for noncompliance in the transfer of deposits to the Sinking Fund, Reserve Fund, and the Depreciation & Contingency Fund, and that the debt coverage ratio was below 120%.

Response by Management:

Response by management for the prior year noted operating deficits that were incurred as a result of Hurricane Gustav affected the ability of the District to meet bond covenants. The District also noted that rates would be increased effective January 2010.

Status of the finding for the fiscal year ending December 31, 2010 is as follows:

Criteria:

Part of this finding is continued for the fiscal year ending December 31, 2010. The District has complied to requirements for deposit of funds to the Sinking Fund, Reserve Fund, and the Depreciation & Contingency Fund as required for 1984 Series and the 1997A Series Bonds. However, the bond requirement specifying a debt coverage ratio (net assets to debt requirements) of 120% for adjusted net assets to debt installments was not met.

**Livingston Parish Sewer District One
Summary Schedule of Prior Year Audit Findings
December 31, 2010**

Condition:

The District increased rates effective January, 2010 to increase reserves. The rate change resulted in an increase in the change in net assets of \$111,124 from the prior fiscal year. However, the change in net assets for the fiscal year ending December 31, 2010 was -\$69,642, and compared to -\$180,766 for the fiscal year ending December 31, 2009. The debt coverage ratio measures the change in net assets (adding back the effect of non-cash flow items such as depreciation) and compares the adjusted net assets amount to debt requirements. Although the District has taken steps to increase reserves, the current level of the change in net assets (adjusted for depreciation) returns the District to a break-even level and does not generate the funds necessary to meet the debt coverage ratio. It was also noted that the bonds that mandate the bond debt coverage ratio will be paid fully in March of 2011 and that the deficit was in part created by partial payment of the Livingston Parish Council debt (Livingston Sewer District No. 2, Series 2009 bond) totaling \$46,470 for the fiscal year ended. This debt was incurred in part in response to damage caused by Hurricane Gustav. Annual debt payments for the Series 2009 Bonds are the responsibility of Livingston Parish Sewer District One and Livingston Sewer District No. 2.

Effect:

The District is in non-compliance with debt coverage ratio requirements.

Cause:

The reasons for this finding relate to increased costs of maintaining and repairing services, partly due to the effects of Hurricane Gustav.

Recommendations:

The Livingston Parish Sewer District One should monitor the change in net assets for the current fiscal year, and if a positive change in net assets is not achieved, the District should closely review the level of expenses and review the need for increased revenues.

Response by Management:

The District is actively reviewing the level of expenses and has re-negotiated the basic reimbursement rate to Livingston Sewer District No. 2 from 30% to 27%. We will continue to review the level of revenues and expenses.

Description of Action Taken: Partial

Description of Corrective Action Taken:

The finding remains as "partial" pending compliance to debt covenants for the debt coverage ratio.

**Livingston Parish Sewer District One
Summary Schedule of Prior Year Audit Findings
December 31, 2010**

Reference Number: 2009-3 (Disclosure of long-term commitment)

Year Initial Finding Occurred: Fiscal Year Ending December 31, 2009

The prior year compliance finding noted the following:

Criteria:

The prior year finding noted that the District had entered into an agreement for payment of the \$2,500,000 Livingston Parish Council Series 2009 Bonds and the commitment had not been disclosed in the financial statement of the District.

Condition:

Non-compliance was noted in the omission of the agreement with the Livingston Parish Council

Findings:

Prior year financial statements were amended to include the disclosure.

Response by Management:

Management noted that they had consulted with legal counsel to properly disclose the agreement with the Livingston Parish Council.

Status of the finding for the fiscal year ending December 31, 2010 is as follows:

Description of Action Taken: Final

Description of Corrective Action Taken:

The agreement with the Livingston Parish Council and the District has been disclosed for the fiscal years ending December 31, 2009, and December 31, 2010.

Internal Control Findings for Federal Programs.

This section does not apply.

Management Findings

No management findings.

**Livingston Parish Sewer District One
Corrective Action Plan for Current Year Audit Findings
December 31, 2010**

Compliance Findings (Reported in Accordance with Government Auditing Standards)

No compliance findings.

Internal Control Findings (Reported in Accordance with Government Auditing Standards)

Reference Number: 2010-I1 (Lack of segregation of duties)

Type Finding: Significant deficiency not constituting a material weakness.

Criteria:

The Livingston Parish Sewer District One must demonstrate that activities relating to the receipt and disbursement of funds are properly segregated.

Condition:

With all smaller agencies, there will be limited personnel for recording receipts and disbursements and for reporting financial transactions. The District has implemented the following compensating controls:

- 1) Direct approval by the board for all key financial transactions.
- 2) Maintenance of detail registers to support all disbursements.
- 3) Monthly reconciliation and reporting by an outside accountant.
- 4) Approval and signing of checks by board members.

Effect:

Having a limited number of personnel increases the need to closely review financial transactions. The District compensates for the lack of personnel with outside reporting.

Cause:

This is characteristic of a small agency.

Recommendations:

The District must continue to implement compensating controls to ensure the integrity of financial operations.

Response by Management

We have continued to closely monitor financial operations.

Description of Action Taken: Partial

Anticipated Completion Date: Controls are implemented.

Contact Person:

Michael Dougay, President
8464 Harold Drive
Denham Springs, LA 70726
(224-791-8295)

Schedule 6 (Continued)

**Livingston Parish Sewer District One
Corrective Action Plan for Current Year Audit Findings
December 31, 2010**

Internal Control and Compliance Material to Federal Awards

There were no findings related to federal awards.

Management Letter

No management findings.

Bruce C. Harrell, CPA

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Eric J. Rodrigue, CPA
Kristi U. Bergeron, CPA
Michael P. Estay, CPA

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To Members of the Board of Commissioners
Livingston Parish Sewer District One
Livingston Parish Council
Denham Springs, Louisiana 70727

We have audited the accompanying financial statements of the governmental activities and each major fund of the Livingston Parish Sewer District One, as of and for the year ended December 31, 2010, and have issued our report thereon dated June 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Livingston Parish Sewer District One's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Livingston Parish Sewer District One's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Livingston Parish Sewer District One's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. As described in the *Summary Schedule of Prior Year Audit Findings*, we consider Finding 2009-1 to be a material weakness.

A significant deficiency is a deficiency, or a combination of significant deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. As described in the *Correction Action Plan for Current Year Audit Findings*, we consider Finding 2010-11 to be a significant deficiency not constituting a material weakness.

BRUCE HARRELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

To Members of the Board of Commissioners
Page 2

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Livingston Parish Sewer District One's, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Louisiana Legislative Auditor and federal awarding agencies and pass-through entities, when applicable. However, this report is a matter of public record and its distribution is not limited.



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

June 30, 2011